

June 11, 2001

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, Massachusetts 02110

Re: D.T.E. 01-49: Inquiry into the Promulgation of Rules or the Amendment of Existing
Regulations Concerning the Cost of Gas Adjustment Clause

Dear Secretary Cottrell:

On May 15, 2001 the Department of Telecommunications and Energy ("Department") solicited comments regarding the promulgation of rules or the amendment of existing regulations concerning the Cost of Gas Adjustment Clause ("CGAC"). This solicitation is the result of the Department's Order in D.T.E. 01-09 *et seq.* where, due to the unusually sudden gas price increase, the Department allowed local distribution companies ("LDCs") to collect for projected under-recovery of Winter season gas costs. In that Order the Department stated it would investigate whether to allow LDCs to file more frequently than currently required and to adjust the CGAC in response to extraordinary price fluctuations.

The Department's inquiry poses three questions to which it seeks comments. First, should the Department promulgate rules requiring LDCs to file CGACs more frequently than semi-annually and if yes, how often? Second, do current regulations allow LDCs to petition the Department for an adjustment to the Gas Adjustment Factor ("GAF") more frequently than on a semi-annually? Third, do current regulations permit the Department, on its own motion, to require LDCs file for recovery of gas costs more frequently than semi-annually? Initial Comments are to be filed on June 11, 2001 and reply comments are due by June 25, 2001.

The Attorney General considers the current CGAC regulations as creating an effective mechanism to include current gas and gas related costs in the rates paid by consumers. Thus, while he shares the Department's assessment that the most recent Winter season was marked by dramatic and sudden gas price increases, he does not believe that it is necessary to adopt a new

blanket rule requiring LDCs to make more frequent filings in order to avoid the negative impacts resulting from significant under-recoveries. On several occasions in the past, LDCs have proposed and received Department approval for interim changes to their CGAC rates when changed circumstances raised the probability of a significant under-recoveries. (*Key Span, Bay State, Berkshire*). Indeed, the Department's current regulations provide express authority for companies to seek interim adjustments as well as for the Department to require interim adjustments. 220 C.M.R. § 6.12(2) & (3). Thus, there is no need to change the Department's current regulations merely to put into place the necessary procedural authority and/or flexibility to address changing circumstances. That authority and flexibility already exists.

With regard to the question of whether the Department should promulgate rules requiring LDCs to submit CGAC filings more frequently, then, the Attorney General submits the question should be answered from the perspective of consumers, who, based on their statements during this winter's hearings, are most concerned about their ability to budget for their sharply increasing bills. The Department has supported the consumers' point of view on this issue in approving Western Massachusetts Electric Company's conversion from quarterly fuel adjustment charges to semi-annual. "Providing greater energy cost predictability is a valuable element of customer service." Western Massachusetts Electric Company D.P.U. 95-8A, p. 14 (1995)

Another area of critical concern is transition to a competitive retail market for natural gas. The Attorney General looks forward to reading the comments of marketers regarding how more frequently changing CGACs would affect their participation in the retail market.

Sincerely,

Joseph W. Rogers